

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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R 251127Z MAR 75

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 9489

INFO AMEMBASSY COPENHAGEN

AMEMBASSY STOCKHOLM

AMEMBASSY LONDON

USMISSION OECD PARIS

C O N F I D E N T I A L OSLO 1229

E.O. 11652: GDS

TAGS: ENRG, NO

SUBJ: MINISTRY OF INDUSTRY'S VIEWS ON SPECIAL TAX

REF: OSLO 1181

1. THE NORWEGIAN PRESS HAS PICKED UP PRESS RELEASE BY CHEVRON INDICATING THAT CHEVRON HAD NOT DECLINED NORWEGIAN OFFER OF A SHARE IN BLOCK 35/3 BUT HAD SIAD THAT IT WOULD ACCEPT NORWEGIAN OFFER ON CONDITION THAT NEW NORWEGIAN SPECIAL EXCESS PROFITS TAX PROPOSAL BE MODIFIED TO TAKE INTO CONSIDERATION UNUSUAL RISK OF WORKING IN DEEP WATER ON BLOCK 35/3.

2. THE MINISTRY OF INDUSTRY HAS ADVISED EMBASSY THAT IT HAD TOLD CHEVRON AND OTHER COMPANIES THAT A CONDITIONAL ACCEPTANCE OF CONCESSIONS WOULD NOT BE ACCEPTABLE WND WOULD BE CONSTRUED AS REJECTION.

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3. MINISTRY OF INDUSTRY AGAIN STRESSED UNDER-
STANDING OF CHEVROM POSITION AND SAID THAT CHEVRON'S
DECISION WOULD NOT HURT COMPANY'S FUTURE CHANCES.
ALL OTHER COMPANIES OFFERED CONCESSION IN RECENT ROUND
EXCEPT CHEVRON HAS ON-GOING OPERATIONS ON THE NOR-
WEGIAN SHELF AGAINST WHICH COSTS OF DEVELOPING NEW
CONCESSIONS CAN BE CHARGED UNDER THE NEW SPECIAL TAX
PROPOSAL. CHEVROM, WHICH HAS NO OPERATIONS ON NOR-
WEGIAN SHELF AND THEREFORE NO PROFITS WOULD BE UNABLE
TO DEDUCT COSTS INCURRED ON BLOCK 35/3 AGAINST OTHER
OPERATIONS. RESULT IS THAT CHEVRON WOULD BE IN CON-
SIDERABLE WORSE CASH FLOW POSITION THAN OTHER
COMPANIES.

4. MINISTRY OF INDUSTRY INDICATED THAT, IF EASIER
TERMS ARE NECESSARY TO ATTRACT A GOOD COMPANY TO TAKE
SHARE OF BLOCK 35/3 OFFERED CHEVRON, CHEVRON WOULD
AGAIN BE CONSIDERED ON EQUAL FOOTING WITH OTHER COMPANIES.

5. SEVERAL MINISTRY OF INDUSTRY OFFICIALS HAVETOLD
EMBASSY PRIVATELY ABOUT THEIR DISMAY OVER WAY IN WHICH
SPECIAL TAX CASE WAS HANDLED. THEY BELIEVE THAT, IF
SPECIAL TAX MUST BE APPLIED TO NEW CONCESSIONS, AN
OPPORUTNITY SHOULD HAVE BEEN GIVEN TO RENEGOTIATE CON-
TRACT TERMS WHICH WERE ALREADY TOUGH. THEY ALSO OPPOSE
MAKING COMPANY COMMIT THEMSELVES ON NEW CONCESSIONS
BEFORE PARILAMENT PASSES SPECIAL TAX LAW AND
COMPLETE TERMS OF LAW ARE KNOWN. THEY BLAME
FINANCE MINISTER KLEPPE AND EASKNESS OF MINISTRY
OF INDUSTRY ULVESETH FOR THE SITUATION.

6. FINANCE MINSITRY SAID THAT SPECIAL TAX
WAS AIMED AT EKOFISH AND STATED THAT IT WOULD HAVE
BEEN IMPOSSIBLE TO BRING FORWARD SPECIAL TAX LAW
AIMED ONLY AT EKOFISK. BY TIME OTHER FIELDS SUCH
AS STATFJORD BEGIN PRODUCTION, EXCESS PROFITS TAX
ONEKOFISH MAY NO LONGER BE JUSTIFIED. IF
SO, THEY BELIEVE NORWEGIAN GOVERNMENT WILL RECONGIZE
DESIRABILITY OF MODIFYING THE TAX. IN THIS REGARD,
THEY CITE FIGURES OF ABOUT \$4 PER BARREL FOR
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EKOFISK OIL PRODUCTION AND AS MUCH AS \$6 PER
BARREL FOR PRODUCTION FROM THE SUPER STATFJORD FIELD.
BUCHANAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PETROLEUM CONCESSIONS, PRICES, RESEARCH & DEVELOPMENT AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OSLO01229
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750104-0802
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750318/aaaaapxh.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 OSLO 1181
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 MAY 2003 by ShawDG>; APPROVED <12 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MINISTRY OF INDUSTRY'S VIEWS ON SPECIAL TAX
TAGS: ENRG, NO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006